

the bill.¹ Its redeeming feature was the provision for the resumption of specie payments at the New York sub-Treasury on January 1, 1879, and the issue of bonds to obtain the necessary coin.

The success of specie resumption depended largely upon the action of the banks. They held more than \$125,000,000 in legal tender notes, of which nearly one-third was in New York City. A run upon the sub-Treasury for gold by means of these notes would have quickly compelled a new suspension of specie payments. The subject of resumption was discussed by the banks and a committee was appointed to confer with Secretary Sherman and agree upon a common course of action to sustain the public credit. The Assistant Treasurer at New York was invited to become a member of the Clearing House and balances between the banks and the Treasury were proposed to be settled through the Clearing House. The banks voluntarily decided to decline receiving gold as a special deposit, to abolish special exchanges of gold checks at the Clearing House, and to receive and pay balances without discrimination between gold and legal tender notes. This action dissipated all serious fear of the success of resumption, and on December 17, 1878, gold sold at par in the gold room "of the New York Stock Exchange. The banks, in the language of Mr. Bolles, at the beginning of the war 'parted with their gold to aid the government, and now, when resumption was accomplished, they were content to take whatever it desired to give'"⁹

It was the policy of the Resumption Act to reduce the volume of United States legal tender paper at the rate of 80 per cent, of the new national bank-notes issued and to continue redemption until the legal tenders should be reduced to \$300,000,000. The expectation that the bank currency would rapidly expand to fill the void left by the retirement of the legal tenders was not fulfilled. The circulation

¹ Mr. Sherman, when Secretary of the Treasury, resolved this doubt in his annual report for 1877, in favor of re-issuing the notes, but his opinion was soon deprived of practical importance by the resolution of May 31, 1878, forbidding the further retirement of legal tender notes.

* *Financial History of the United States*, III., 301.